Evaluation of Intermediate Care Facility Conversion Cost Effectiveness

As Required by

2018-19 General Appropriations Act, Senate Bill 1, 85th Legislature, Regular Session, 2017 (Article II, Health and Human Services Commission, Rider 50)

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Table of Contents

Executive Summary

The report on *Evaluation of Intermediate Care Facility Conversion Cost Effectiveness* is submitted in compliance with 2018-19 General Appropriations Act, Senate Bill 1, 85th Legislature, Regular Session, 2017 (Article II, Health and Human Services Commission [HHSC], Rider 50). This report discusses cost-effectiveness and other considerations related to the conversion of intermediate care facilities for individuals with an intellectual disability or related conditions (ICFs-IID) with four or fewer residents to Home and Community-based Services (HCS) waiver group homes.

Licensed ICFs-IID and Community Centers (non-licensed ICFs-IID) provide 24-hour services in either a group home-like setting with a few other individuals, or a more institutional setting with many individuals. Individuals who receive services from the HCS program can live in their own home, family home, a host home, or in a small, three- or four-bed group home.

As a result of federal and state initiatives to ensure individuals with disabilities are able to participate fully in their communities, long-term services and supports (LTSS) for individuals with an intellectual or developmental disability (IDD) have shifted from primarily institution-based care (such as large ICFs-IID) to community-based care (such as the HCS waiver program), and more individuals are choosing to receive services through HCS rather than ICFs-IID.

Based on a review of the average monthly cost of serving an individual in an HCS residential setting and a six-bed ICF-IID, the average cost in HCS is $5,221 per month compared to $4,532 in ICF-IID.

Despite the increasing popularity of community-based services, converting small ICFs-IID with four or fewer residents to HCS group homes may pose challenges to converting ICF-IID providers, their current residents, and the State. Considerations for further exploration include differences in the processes related to cost, eligibility, services provided, and administrative issues such as certification and contracting.

1. Introduction

Rider 50 requires HHSC to submit a one-time report to the Legislative Budget Board by March 1, 2018, evaluating the cost-effectiveness of permitting small ICFs-IID with four or fewer individuals living in the home, who voluntarily relinquish their ICF-IID bed, to convert to HCS waiver placements.

2. Background

The United States Supreme Court's 1999 *Olmstead v. L.C.* decision requires states provide community-based services to persons with disabilities when:

- Such services are appropriate;
- The affected persons do not oppose community-based treatment; and
- Community-based services can be reasonably accommodated, taking into account the resources available to the public entity and the needs of others who are receiving disability services from the entity.

Olmstead shifted states' LTSS systems from being primarily institutional to more community-based and helped ensure individuals with disabilities had more freedom and opportunity to meaningfully participate in their communities.

Differences between ICF-IID and HCS

ICF-IID is a Medicaid entitlement benefit that enables states to provide comprehensive and individualized health care, habilitation, and rehabilitation services to individuals to promote their functional abilities and independence. Entitlement programs do not have associated cost limits for assessed services or interest lists.

ICFs-IID provide 24-hour residential services for individuals with IDD or related conditions, which include the following services and supports:

- Behavioral services
- Clinical therapies
- Nursing
- Dental treatment
- Vocational and employment services, skills training and day habilitation services
- Adaptive aids
- Specialized diets
- Planned activities (such as shopping, dining out, going to movies, and other recreational and leisure activities in the local community)

Most ICFs-IID across Texas serve individuals in homes that accommodate up to six people. Table 1 provides information on the number of facilities and beds for small, medium, and large ICFs-IID.

Table 1. Number of Individuals Residing in a Licensed ICF-IID by Facility Size as of December 31, 2017[i,ii]

Facility Size	# Of Facilities	Total Available Beds	Total Occupied Beds	Total Vacancies[iii]
Large[iv]	3	318	222	96
Medium	42	512	471	49
Small	744	4,492	4,193	354
Total	**789**	**5,322**	**4,886**	**499**

[i] Source: QAI Datamart

[ii] Facility size categories are Small (1 - 8 beds), Medium (9 - 13 beds), and Large (14 or more beds).

[iii] Numbers in the Total Vacancies column many not equal the number of total available beds minus the total number of occupied beds. This can happen when the available bed count in the provider contract record understates the actual number of beds at the facility, the count of occupied beds is incorrect because service authorizations were not terminated timely, or a combination of both.

[iv] Licensed facilities not including State Supported Living Centers.

Unlike ICFs-IID, the HCS waiver program is not an entitlement program. Instead, it is funded through the Home and Community Based Services 1915(c) federal waiver and has an interest list and cost limits. HCS services can be provided in an individual's own home or family home, in a three- or four-bed group home, or in a host home or companion care setting with no more than three individuals receiving similar services. Available HCS services include:

- Behavioral support
- Day habilitation
- Professional therapies
- Dental treatment
- Nursing
- Employment assistance and supported employment

- Adaptive aids and minor home modifications[1]

Although not an HCS waiver-funded service, individuals in HCS also receive service coordination provided by the local intellectual and developmental disability authority.

Table 2 shows the number of individuals receiving HCS services by residential type as of December 31, 2017.

Table 2. Number of Individuals Receiving HCS Services by Residential Type as of December 31, 2017[v]

Residential Type	Number	Percentage
Host Home/Companion Care	13,744	52.40%
Four-bed Group Home	4,490	17.12%
Three-bed Group Home	4,026	15.35%
Own Home/Family Home	3,970	15.14%

[v] Source: QAI Datamart

[1] Home modifications are available to all individuals enrolled in HCS, regardless of where they live or if they receive residential services.

3. Cost-Effectiveness

Tables 3–5 below show the average monthly cost of serving an individual in an HCS residential setting compared to serving an individual in a six-bed ICF-IID setting. The cost effectiveness methodology utilizes the six-bed setting because Medicaid rates for a small ICF-IID are based upon the costs of operating a six-bed facility.

Table 3 shows the average monthly cost of serving an individual in an HCS setting is $5,221 per month, and the average monthly cost to serve an individual in a six-bed ICF-IID setting is $4,532. Therefore, the cost of serving an individual in an HCS residential setting is $689 more per month, or 15.2 percent higher.

Table 3. Comparison of the Average Monthly Cost of Serving an Individual in an HCS Residential Setting Versus a Six-bed ICF-IID Setting by Level of Need[vi] (LON), Calendar Year 2016

LON	Percent Distribution Across ICFs-IID	Monthly Cost per HCS Residential Resident	Monthly Cost per ICF-IID Resident	Amount Difference	Percent Difference
LON 1	26.41%	$ 4,785.95	$3,904.25	$881.70	22.6%
LON 5	53.36%	$ 5,139.47	$4,433.01	$706.46	15.9%
LON 8	14.19%	$ 5,669.73	$5,115.21	$554.52	10.8%
LON 6	5.61%	$ 6,483.63	$6,401.72	$81.91	1.3%
LON 9	0.43%	$10,855.70	$11,841.21	($985.51)	-8.3%
All Levels	100%	$ 5,221.34	$4,532.47	$688.87	15.2%

[vi] LON is assigned to an individual based on the Inventory for Client and Agency Planning, Intellectual Disability/Related Condition Assessment, and supporting documentation. The LON increases as more intensive services are needed, such as host home/companion care, supervised living, residential support, and day habilitation, and determines reimbursement for services.

Tables 4 and 5 provide more detail on the monthly costs of serving an individual in an ICF-IID setting compared to an HCS residential setting.

Table 4 shows the average monthly cost of serving an individual in an ICF-IID setting after the resident's contribution towards the cost of their care is taken into account. While residents living in ICFs-IID and HCS homes both contribute financially to the cost of their care, the HCS resident contribution is captured in the provider's Medicaid cost report and factors into the development of the reimbursement rate. Conversely, Medicaid-eligible individuals residing in an ICF-IID are required to apply their available income toward their care. The state then pays the balance of the cost. Therefore, while the average full cost of care in a six-bed ICF-IID is $5,034 per month, on average the resident contributes $502 per month toward that cost, resulting in a net average cost to the state of $4,532 per month.

Table 4. Average Monthly Cost per Six-bed ICF-IID Resident by LON, Calendar Year 2016[vii]

LON	Percent Distribution	Full Cost[viii]	Resident Contribution	Net Cost to State
LON 1	26.41%	$4,431.36	($527.11)	$3,904.25
LON 5	53.36%	$4,931.14	($498.13)	$4,433.01
LON 8	14.19%	$5,603.41	($488.20)	$5,115.21
LON 6	5.61%	$6,846.48	($444.76)	$6,401.72
LON 9	0.43%	$12,386.53	($545.32)	$11,841.21
All Levels[ix]	100%	$5,034.05	($501.58)	$4,532.47

[vii] Source: Claims payment data through October 2017

[viii] "Full cost" is the average Medicaid daily reimbursement rate times 30.416 days per month.

[ix] The "All Levels" values shown are the weighted average costs by LON.

Table 5 shows the comprehensive cost of serving an individual in an HCS residential setting, including waiver services provided which are not included in the reimbursement rates for HCS residential services. While the average monthly reimbursement to an HCS residential provider is $4,314 per resident, individuals in an HCS residential setting also receive an average of $544 per month in day

habilitation services, other waiver services[2] totaling $209 per month, and service coordination totaling $154 per month, for a total monthly average service cost of $5,221.

Table 5. Average Monthly Cost per HCS Residential Resident by LON, Calendar Year 2016[x]

LON	Residential	Day Habilitation	Other Waiver Services	Service Coordination	Total Cost
LON 1	$4,000.50	$441.64	$186.72	$157.09	$4,785.95
LON 5	$4,255.88	$523.99	$205.61	$153.99	$5,139.47
LON 8	$4,647.65	$627.20	$240.97	$153.91	$5,669.73
LON 6	$5,230.76	$839.04	$260.72	$153.11	$6,483.63
LON 9	$7,742.90	$2,659.74	$294.61	$158.45	$10,855.70
All Levels[xi]	$4,313.71	$543.75	$209.11	$154.77	$5,221.34

[x] Source: Claims payment data through October 2017

[xi] The "All Levels" values are the weighted average costs by LON, assuming the same LON distribution as the six bed ICF-IID population.

[2] This includes all HCS waiver services, except residential and day habilitation.

4. Other Considerations

The following section identifies other considerations related to the conversion of ICFs-IID serving fewer than four individuals to HCS group homes. Considerations presented are either non-cost related, or related to the cost of implementing the conversion and not the actual cost of services.

Due to differences in eligibility criteria between ICFs-IID and the HCS waiver program, some individuals currently residing in an ICF-IID may not be eligible to receive HCS services. Key differences include level of care[3] criteria and the existence of cost limit caps based on LON in HCS. As a result of these eligibility differences, ICFs-IID converting to HCS would need to support individuals not eligible for HCS in transitioning to another ICF-IID or other appropriate residential setting. This support would include providing the individual with other community living options and assisting the individual with submitting admission applications to chosen providers.

In addition to considerations for the residents, regulatory processes and standards for ICFs-IID differ from those for HCS, and the converting provider would need to ensure compliance with certification and contracting processes to become an HCS provider. For example, HCS certification principles for a four-bed HCS home require at least one resident must qualify for services that require 24-hour awake staff; however, ICF-IID licensing standards do not include the same requirement. A converting ICF-IID would need to ensure it meets all HCS certification principles.

Additional action by the Legislature would be needed before a conversion process could move forward. The current 2018-19 biennium appropriation for HCS slots does not include individuals transitioning from a small ICF-IID as a target group; without an appropriation of slots, HHSC would need to use attrition slots to enroll such individuals into HCS. The anticipated pool of attrition slots for this biennium is

[3] Level of care is assigned to an individual based on the Intellectual Disability/Related Conditions Assessment. Level of care is established to help determine the individual's eligibility for certain programs and services.

unlikely to cover demand for this population, which would result in not all interested and eligible individuals enrolling in HCS.

Finally, while the long-term staffing impacts are ultimately dependent upon the number of small ICFs-IID converting to HCS homes, sufficient staff for HCS oversight would need to be in place to manage the regulatory and oversight functions for an increased number of HCS providers.

5. Conclusion

As the state's LTSS for individuals with IDD have shifted from primarily institution-based care to community-based care, more individuals have chosen to receive services through HCS rather than ICF-IID. However, converting small ICFs-IID with four or fewer residents to HCS group homes will have cost and resource impacts for the state, and will also impact providers and current ICF-IID residents.

Based on data from calendar year 2016, the state's cost to serve an individual in an HCS residential setting is on average $689 more per month than the cost of serving a resident of a six-bed ICF-IID across all LONs. The resources needed for the state to support the conversion process may also have associated costs and, in the case of HCS enrollment slots, may require legislative appropriation.

Additionally, because eligibility requirements for ICF-IID and HCS differ, ICF-IID residents who are not eligible for HCS will require assistance from converting providers to transition to another ICF-IID or appropriate residential setting. Providers will also have to comply with HCS certification and contracting processes.

List of Acronyms

Acronym	Full Name
HCS	Home and Community-based Services
HHSC	Health and Human Services Commission
ICF-IID	Intermediate Care Facility for Individuals with an Intellectual Disability or Related Conditions
IDD	Intellectual and Developmental Disabilities
LON	Level of Need